



**Director of
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IRAN-IRAQ:

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(Information as of 2300 EDT)

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Iranian Official Rules Out Negotiations

Assembly Speaker Rafsanjani, after a meeting with Ayatollah Khomeini, yesterday denied Iran had sought Algerian mediation in the war. He added Iran would not compromise on its demands and probably would intensify its military pressure to force Baghdad to meet its conditions, including "punishment" of Iraqi President Saddam Hussein.

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ISRAEL-LEBANON: New Cease-Fire

(Information as of 2300 EDT)

//A new cease-fire took effect late yesterday between Israeli and Palestinian forces. The Israelis used cluster munitions last week against Syrian forces.//

For about an hour before the cease-fire, the Israelis intensified their shelling of West Beirut, but the cease-fire appears to be holding.

During the day Israeli aircraft, artillery, and naval units had kept up their attacks on Palestinian positions. Lebanese police reported 203 people were killed and 297 wounded in the shelling on Tuesday. The Israelis continue to prevent electricity or water from reaching West Beirut.

//An Israeli military spokesman gave an assessment of the fighting in the Bekaa Valley last week between Israeli and Syrian forces. According to the spokesman, Israeli intelligence has confirmed that 13 Syrians were killed and 27 wounded. Sixteen tanks, a number of vehicles, and an artillery ammunition depot were destroyed.//

The purpose of the action last week was to force the Syrians to stop Palestinian guerrilla activity against Israeli troops in the Bekaa Valley.

Syrian forces in Lebanon apparently have established checkpoints on all roads leading south from the Beirut-Damascus highway in an effort to prevent guerrilla infiltration.

Guerrilla activity continues in Israeli-controlled areas of southern Lebanon.

Israeli Use of Cluster Bombs

Israeli forces used cluster munitions against Syrian military positions in the Bekaa Valley during the fighting between 22 and

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24 July. [REDACTED]

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[REDACTED] approxi-
mately 20 percent of the cluster bombs used against
Palestinian targets dispersed their loads only after
impact. As a result, many of the bomblets did not ex-
plode.// [REDACTED]

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Lebanese officials continue to report Israeli use
of cluster munitions in West Beirut and elsewhere. When
these munitions are used in urban areas, they usually
cause damage over a wide area surrounding the target. [REDACTED]

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If a large percentage of the bombs malfunction, the
unexploded bomblets present an added threat to an unsus-
pecting civilian population. Palestinian fighters have
been observed trying to detonate bomblets by firing at
them or hurling them against hard surfaces. [REDACTED]
[REDACTED]

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ARGENTINA: Military Maneuvering

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Bignone is facing pressures from reform-minded officers and from a growing faction of hardline nationalists,

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The removal from active duty this week of 18 high-ranking officers who had served in the Falklands was an effort to undercut some of the criticism from reformist officers who want to place blame for the defeat in the Falklands. The action also occurs against a backdrop of persistent reports of continuing deep divisions in the military.

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Comment: //The removal of the 18 officers before the issuance of a scheduled report from the armed forces' own investigating commission probably reflects the high command's concern that it has underestimated the intensity of dissatisfaction in the military. Army Commander Nicolaides, who has publicly linked the shuffle to a wider reorganization to "professionalize" the military, has prepared the way for further changes at key command levels.//

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SOUTH AFRICA: Ruling Party's National Conference

Prime Minister Botha's plan to give some political rights to South Africa's 3.5 million Coloreds and Asians, to be presented tomorrow at a conference of the National Party, will initiate a nationwide debate on racial reform.

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Botha's keynote address is being billed by the Afrikaans press as the most important speech by a prime minister in over two decades. His proposals for reform, although limited, caused the right wing to leave the party earlier this year and to form the first Afrikaner parliamentary opposition since 1948.

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The Prime Minister and his supporters have been holding meetings over the past four months to consolidate their party support. They won a major political victory last month when 300 party members who hold elective offices endorsed Botha's leadership and the thrust of his reform program.

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Comment: Botha's call for a political alliance among Coloreds, Asians, and whites probably will go little beyond the separate ethnic parliaments and the powerful, white-dominated executive presidency already approved twice in five years by the National Party.

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The Prime Minister will have little trouble gaining the approval of the party members, and he will use the conference to test the electorate's tolerance of change. He will then modify his program to stress those reforms the coming provincial congresses will accept before presenting them to parliament next year.

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CZECHOSLOVAKIA: Possible Change in Economic Policy

Party Secretary for Economic Affairs Jakes says elements of Hungarian economic reform should be emulated in the Czechoslovak economy. Radio Prague has reported that Jakes, following meetings with Hungarian party chief Kadar in Budapest earlier this month, praised the Hungarian management system and the independence of its enterprises. Prague has been proceeding with its own limited reforms, but the conservative leadership has been extremely wary of political risks associated with change. It has been arguing about the pace and scope of implementation. [REDACTED]

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Comment: Jakes has anticipated previous major shifts in Czechoslovak policy both before and after the crisis in 1968, and his comments suggest a new change in the direction of policy may be in the offing. He may have been prompted, in part, by Soviet President Brezhnev's statement in June that the Czechoslovak economy was not getting the "needed results." [REDACTED]

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USSR-CHINA: Sports Diplomacy

Three Soviet runners will be among the 300 competing in the second annual Beijing Marathon in September, according to the Chinese *Sports Daily*. [REDACTED]

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Comment: Soviet participation will be yet another instance of the growth in "nonpolitical" contacts, a development that both sides are publicizing at home and abroad. Chinese teams have competed in at least three sports events in the USSR this year. The Soviet athletes who took part in a track meet at Beijing last month were the first to visit China since 1965. Most of these athletic contacts have been at meets in which other nations have also participated, however, and there is no evidence that dual meets are being planned for the near future.

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SPECIAL ANALYSIS

NICARAGUA-HONDURAS: Prospects for Conflict

//The Sandinistas--angered by the scope and frequency of insurgent attacks into Nicaragua and convinced of Tegucigalpa's involvement as a US proxy--are setting the stage for retaliatory strikes against exile bases in Honduras. Nicaraguan rhetoric and recent incidents involving the two countries' armed forces underscore the danger of a strong Sandinista response.//

Managua is mounting an increasingly shrill diplomatic and publicity campaign linking the insurgents' successes to their ability to seek sanctuary and to obtain arms and supplies from camps in Honduras. Last weekend the regime brought members of the diplomatic corps and foreign journalists to the site of a recent clash near the border to dramatize its concern and present evidence of Honduran involvement. Earlier this week, Managua cited the growing insurgent threat to justify extending its state of emergency for another six months.

Sandinista leaders are issuing frequent warnings in public and private about the consequences of continued insurgent attacks. Defense Minister Ortega told [redacted] on Saturday that he is convinced that Honduras is not interested in serious talks and that he believes some Honduran casualties will be necessary before Tegucigalpa takes Nicaraguan concerns seriously.

The Insurgent Threat

//Shortly after the Sandinista victory in 1979, a few poorly armed bands of former members of the National Guard began small insurgent operations. In recent months the insurgency has grown to include disaffected Sandinistas and Miskito Indians.//

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//The insurgency has developed into a well-organized and equipped guerrilla force that can field units of over 100 men.//

//There are an estimated 2,000 to 3,000 insurgents, about half of which are full-time, armed combatants. Although they operate largely from Honduras with Tegucigalpa's approval, these forces also include elements permanently based in Nicaragua.//

//Press reports indicate the insurgents have inflicted heavy casualties on the Sandinistas, destroyed two bridges, several border posts, and some crops, and tried to bomb oil storage facilities in Nicaragua's major port. They also recently occupied two small towns near the Honduran border for several hours. The guerrillas have been particularly active in remote and historically separatist northeastern Nicaragua, where the regime has most difficulty establishing control.//

//The Sandinistas increasingly are looking to Havana for help. Press reports--which appear to be credible--state about 2,000 Cuban engineers and construction workers have begun to arrive in Nicaragua during the past few weeks. These groups almost certainly are composed of military reservists who could be rapidly mobilized to help defend the regime.//

Rising Tensions With Honduras

//Managua is accusing the US of manipulating Honduras into a hardline stance against both Nicaragua and rebel forces in El Salvador. The Nicaraguans also have sought to counter Honduras's hostility with a mixture of subversion and diplomatic pressure aimed at intimidating Tegucigalpa's civilian and military leaders.//

//The Sandinistas have tried to portray the US as an unreliable ally and have called for immediate discussions between the military chiefs of Honduras and Nicaragua.

//From Tegucigalpa's perspective, the steady growth of the Sandinistas' armed forces is an ominous sign of Nicaragua's intention to dominate the region. The Hon-

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[redacted] durans also increasingly resent the Sandinistas' publicly acknowledged support for Honduran radicals and their use of Honduran territory to supply the Salvadoran insurgents.//

[redacted] //Nicaraguan efforts at intimidation apparently have strengthened Tegucigalpa's resolve. Some 1,000 Honduran troops currently are being moved, with US assistance, to the eastern border area.// [redacted]

Outlook

//As the insurgent threat continues to grow in Nicaragua, Sandinista leaders probably will become more frustrated and will come under increasing pressure from field commanders to allow strikes against exile bases in Honduras. So far, Managua has been restrained by fears that this could provoke US military action against Nicaragua.// [redacted]

//Nevertheless, the effort to prove Honduras's collusion with the insurgents suggests Sandinista fears of US retaliation are being overcome by concern that continued restraint will be regarded as a serious sign of weakness. The Sandinistas may believe they can count on international opinion to prevent a strong US reaction against a Nicaraguan strike at the insurgent camps.// [redacted]

//Many in the Honduran military, including Commander in Chief Alvarez, have long believed that a showdown with Nicaragua is inevitable. They also believe the longer they wait, the greater the military edge the Sandinistas will have. They are not likely to be intimidated by Managua's strength and threats at this point, but they are counting on US military support if hostilities occur.// [redacted]

//To some extent, the recent tough talk by Honduran leaders has been designed to elicit greater support from the US. Renewed discussions of a preemptive airstrike may have the same purpose, but such a move appears unlikely in the absence of fairly clear signs of US encouragement.// [redacted]

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